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☆ FARMERS HOME ADMINISTRATION ☆
Operating Loans



PA-33

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION
WASHINGTON, D. C.

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LOANS FOR FARMING and homemaking essentials are made by the Farmers Home Administration, U. S. Department of Agriculture, to help family-type farmers get ahead. If you borrow from this agency, advice in good farm and home methods will be provided along with the credit. This will make it easier for you to improve your operations and increase your income.

This service is available if you are not able to get necessary credit from banks or other lending agencies and if you meet the other simple requirements explained in the questions and answers in this leaflet.

Thousands of farmers made use of this kind of assistance in past years when similar loans were made by the Farm Security Administration and by the Emergency Crop and Feed Loan Offices of the Farm Credit Administration. Now these two services are combined under the name Farmers Home Administration.

Since the war, many veterans have been using the loans and guidance to get started again in farming. If you are a veteran interested in farming, all the information in this leaflet applies to you as well as to other farmers.

Questions most frequently asked, and their answers are:

1. Can I get a loan?

You are eligible for an operating loan:

- (1) if you are now farming and earning most of your living this way; or—in case you are not a farmer now—if your past experience was in farming and you intend to operate a “family-type” unit; if you earn most of your income from it;
- (2) if you cannot borrow the money you need anywhere else in or near your community at reasonable rates and terms;
- (3) if you are a citizen of the United States.

The county committee, composed of local farmers, decides whether you are eligible. Then the committee and the County Supervisor will need to make sure that you have land available on which you can make a satisfactory living, that you have a good lease in case you are renting, that the loan will enable you to improve your operations and raise your income, and that in the past you have faithfully tried to meet your obligations.

2. What is meant by "family-type" farm?

This means a productive farm furnishing you a full-time job through the year and yielding enough income for the family's needs—but not so big that outside help is hired except perhaps in planting and harvesting seasons.

3. Who are the county committeemen?

In each county there is a Farmers Home Administration committee of three local persons, at least two of whom are

active farmers, who advise and assist the County Supervisor. They are practical men and women who know what is required for a family to farm successfully.

4. How much can I borrow?

The amount will depend on your need, as shown by your plan of operation. The top limit, however, is \$3,500 in any 1 year. If you borrow more than once, your total outstanding debt to the Farmers Home Administration, including interest and any other charges, cannot be more than \$5,000.

5. What interest will I pay?

The interest is 5 percent per year on the unpaid balance.

6. How can I use the money?

The loan can be used to buy the livestock and equipment you need and provide for farm operating costs and home

living expenses. With the loan you can pay for such necessities as cows, poultry, machinery, seed, feed, fertilizer, household and canning equipment, and family subsistence including expenses for medical care.

7. How soon must I repay?

That depends to a great extent on your own situation. If you do not need to make any important changes in your farming operations, and if your resources and set-up are such that you can repay in 1 year, the loan will be scheduled for repayment in 12 to 15 months. On the other hand, if the purpose of the loan is to help you work out basic changes in your farming, you will have up to 5 years. Yearly payments, in line with your income, will be scheduled within this 5-year period.

If you find, at any time before you repay in full, that you can get the loan refinanced by a bank or other credit source on reasonable terms, the Farmers Home Administration will

expect you to borrow from the other source and pay the balance on the Government loan at the earliest possible date.

8. What security must I give?

These loans are for families who cannot put up enough security to get a loan from a bank or other lender. You will be asked for a mortgage on the chattels you will buy and the crops and livestock you will raise, but the most important security behind the loan will be your own honesty, industry, and character. A farm-and-home plan, made out in connection with any loan that will run more than a year, is further security because it shows expected farm production, income, expenses, and repayments.

An applicant may have no chattel security whatever to offer, except what he buys with his loan, but he can obtain the loan if he is eligible and if the Supervisor believes he can repay it from his farm income and considers him able and willing to carry out his undertakings.

9. How is this kind of loan different from other kinds of credit?

As already mentioned, operating loans of the Farmers Home Administration are made especially to help farmers who cannot obtain the ordinary types of credit.

Another important difference is that when you borrow from this agency, the Supervisor helps you with your specific problems. If your loan is for the purpose of making major adjustments in your farming operations he will visit you and supply information on such questions as how to improve the soil, plan crop rotations, select and care for livestock, and raise a good garden. You will be expected to follow, as closely as you can, a farm-and-home plan developed with the help of the Supervisor.

10. What is a farm-and-home plan?

It is a record of the planning you and your family have done with the Supervisor's help. It outlines what crops

you intend to grow, how many cows, hogs, and chickens you will raise for home use and for sale, how much you will need to spend for running the farm and home, what adjustments and improvements you will make, how much income you can expect, and how you plan to repay your loan and other debts.

11. Do I have to keep any records?

No, you are not required to do so, but since this is considered a good business practice, the agency recommends that you do, and it provides a simple record book and instructions in the keeping and use of farm and home accounts.

12. What if I am already in debt?

The mere fact that you owe some debts will not keep you from getting a loan, but it is very important that the Farmers Home Administration know the extent of your obligations in order to help you. In case you still owe for your livestock or machinery, the Supervisor and committee

may advise that you borrow enough from the Farmers Home Administration to pay off these debts. Or they may advise that you pay the debts out of farm income at the same time you are repaying the loan. If necessary, they will help you arrange with your creditors for a time extension or an adjustment of your debts.

13. If I am not an owner, must I have a lease?

Yes. The Farmers Home Administration will not make a loan until the farmer has assurance he can stay on the same land long enough to make some progress. It is highly desirable to obtain a long-term written lease which you and your landlord have agreed on as mutually beneficial.

14. Can I go in with someone else to buy heavy machinery and high-grade sires?

Individual loans are made to enable two or more farmers to buy or have the use of heavy equipment, high-grade breeding stock, and other essential items and services which

they cannot get or use alone on an economical basis. Individual loans are also made to buy membership in established cooperative associations which furnish purchasing and marketing services or other farm services.

15. Can I borrow for water facilities?

Special loans are made in the 17 Western States to develop and use water for farms and ranches. Ponds, dams, wells, windmills, pumps, stock-water tanks, irrigation works, and many other kinds of water facilities may be put in or repaired with this type of credit. Water-facilities loans are repayable over periods up to 20 years at 3 percent interest.

16. Will it cost me anything to apply for a loan?

No.

17. How do I apply for a loan?

Go to the Farmers Home Administration office for your county. If you do not know the address, the County

Agricultural Agent can direct you. The Supervisor, or a member of his staff, will advise you in filling out an application.

18. If I want to buy a farm, can the Farmers Home Administration help me?

The Farmers Home Administration makes a limited number of Farm Ownership loans each year for the purchase, enlargement or improvement of family-type farms. Veterans have preference. For further information about these loans, see the Supervisor for your county.

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